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ABSTRACT

Overpayments to veterans and veterans' dependents under the VA's educational assistance programs have increased dramatically in recent years; as of the end of 1975, cumulative overpayments totaled almost $1.4 billion. In fiscal year 1967, overpayments represented 0.7 percent of VA's total educational benefits paid, whereas in the first six months of fiscal year 1976, they represented 15.6 percent of total benefits. The General Accounting Office found three primary causes of overpayment: delays in reporting training changes (dropping classes or withdrawing from school); issuance of special payments and poor VA processing practices; and advance payment. A number of recommendations are made for alleviating overpayment and improving collection. (Editor/MSE)

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REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Educational Assistance Overpayments, A Billion Dollar Problem--A Look At The Causes, Solutions, And Collection Efforts

Veterans Administration

In the 9-1/2-year period ended December 31, 1975, VA made almost $1.4 billion in educational assistance overpayments to veterans and dependents. If current trends continue, overpayments in fiscal year 1976 alone could total more than $800 million. VA's collection system is not keeping up with the overpayments. As a result, those remaining uncollected at June 30, 1976, could total more than $375 million.

To halt the escalating trend of overpayments, VA needs to act immediately to assure timely reporting of program status changes by students and schools, improve its payment processing procedures, and be more selective in granting special payments to students. Also, the Congress may have to reconsider the assistance payment law.

U S DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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MWD-76-109 MARCH 19, 1976

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114859

To the President of the Senate and the
Speaker of the House of Representatives

In recent years the number and amounts of overpayments made to veterans and to dependents of disabled or deceased veterans under the Veterans Administration's educational assistance programs have increased dramatically. We reviewed these overpayments to determine the underlying causes, identify some solutions, and assess the agency's collection efforts.

To issue this report in time for the Senate and House Appropriations Committees' hearings on the Veterans Administration's fiscal year 1977 budget submission, we obtained oral comments on the report in a meeting with agency officials on March 15, 1976. Their comments are summarized in chapter 7. The agency's formal written comments were later received and are included as appendix I.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Administrator of Veterans Affairs.

Elmer B. Staats

Comptroller General
of the United States

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ABBREVIATIONS

GAO	General Accounting Office
VA	Veterans Administration

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

EDUCATIONAL ASSISTANCE OVERPAYMENTS, A BILLION DOLLAR PROBLEM-- A LOOK AT THE CAUSES, SOLUTIONS, AND COLLECTION EFFORTS Veterans Administration

D I G E S T

Overpayments to veterans and veterans' dependents under the Veterans Administration's (VA's) educational assistance programs have increased dramatically in recent years. As of December 31, 1975, cumulative overpayments totaled almost $1.4 billion, of which $446 million was overpaid in fiscal year 1975 and $412 million in the first 6 months of fiscal year 1976.

In fiscal year 1967, overpayments represented 0.7 percent of VA's total educational benefits paid, whereas in the first 6 months of fiscal year 1976, overpayments represented 15.6 percent of total benefits paid. (See p. 6.)

In October 1972, the Congress enacted the Vietnam Era Veterans' Readjustment Assistance Act of 1972 (Public Law 92-540). The act provided for the advance payment of educational benefits at the start of an enrollment period and monthly prepayment of subsequent benefits during the enrollment period. Monthly prepayments started in November 1972, and the advance payments in August 1973.

GAO, in analyzing the problem in Los Angeles, found the following three primary causes of overpayments.

--41 percent result from veteran and school delays in reporting training changes, such as dropping classes or withdrawing from school. (See ch. 3.)

--22 percent result from the issuance of special payments and poor VA processing practices. (See ch. 4.)

--21 percent result from the prepayment and advance payment provisions of the VA educational assistance law. (See ch. 5.)

The other 16 percent of the overpayments result from normal processing requirements, part of which can also be avoided. (See ch. 4.)

To alleviate the overpayment problems, VA should:

--Notify veterans of their obligation to report training status changes promptly. (See p. 9.)

--Increase guidance and assistance to schools and step up compliance surveys. (See p. 11.)

--Provide State approving agencies with more guidance on the overpayment problem and supply them with data to show which schools have overpayments. (See p. 13.)

--More frequently assess schools with liability for overpayments caused by their negligent reporting of students' changes in training status. (See p. 14.)

--Reevaluate reporting fees paid to schools to insure that schools are appropriately reimbursed for required reporting. (See p. 15.)

--Increase the involvement of VA on-campus personnel, such as veteran representatives and work-study veterans, to help schools solve their reporting problems. (See p. 16.)

--Implement GAO's prior recommendation to automate the processing of veteran training status changes, thereby reducing delays which result in overpayments. At the VA Los Angeles regional office alone, as much as 11 percent of the overpayments and $1.4 million in administrative expenses could have been avoided between July 1972 and December 1974. (See p. 19.)

--Reduce the reliance on and use of special benefit payments which bypass standard computer screening controls intended to prevent overpayments. (See p. 21.)

--Increase the use of teletype transmissions of stop-payment notices to prevent overpayments. (See p. 23.)

VA needs to act quickly on GAO's recommendations; however, the Congress also may have to reconsider the merits of prepaying veterans for training, as authorized under Public Law 92-540, and return to a post-payment system for educational benefits. (See p. 26.)

Overpayments remaining uncollected have also increased dramatically, from $8.4 million at June 30, 1970, to $298 million at December 31, 1975. (See ch. 6.)

VA should improve collection actions by

--revising collection letters (see p. 34),

--taking faster action to collect (see p. 35), and

--establishing an automatic cross-checking system for matching veterans receiving benefit payments under other programs so that collections can be accomplished by offset (see p. 36).

VA did not disagree with GAO's findings on the causes of overpayments and is taking actions toward solving these problems. (See ch. 7.)

CHAPTER 1

INTRODUCTION

The Veterans Administration's (VA's) educational assistance programs provide financial assistance to veterans and eligible dependents for tuition and other general living expenses while in training (38 U.S.C., Ch. 31, 34, and 35).

The programs have grown considerably since their inception. For example, in fiscal year 1967, its first full year of operation, the Veterans Educational Assistance Program (38 U.S.C., Ch. 34)--by far the largest of three VA assistance programs--provided about $305 million in assistance to less than 500,000 veterans and service personnel. During fiscal year 1975 VA disbursed $4.2 billion in educational assistance to some 2.7 million veterans and service personnel. In 1967 the minimum monthly rate for a veteran with no dependents attending a full-time education program at a college or university was $100. The same veteran today would receive $270 monthly.

To improve the timeliness of benefit payments and services to veterans and other eligible persons in training, the Congress enacted legislation in October 1972 (Public Law 92-540) to provide initial advance payment--up to 2 months of assistance at the start of each school year--and prepayment of regular monthly benefits.

PROGRAM ADMINISTRATION

VA administers the educational assistance programs through the Department of Veterans Benefits at its central office in Washington, D.C., which is supported by 58 regional offices. Two centralized support groups also help administer the programs--a data processing center at Hines, Illinois, and a Centralized Accounts Receivable System at St. Paul, Minnesota.

The Hines data processing center maintains a computerized master record file for each veteran, serviceman, and dependent who has received or is receiving educational assistance. This file includes data on eligibility, entitlement, and benefit payments. The regional offices provide most of the basic data for the Hines computer files. Individual case files with source documents are maintained at the regional offices. A master payment tape, also maintained at Hines, shows the amount of monthly benefit payment for each individual.

VA's Centralized Accounts Receivable System, which became fully operational in January 1975, is a computer-supported system for centralized cash collection of all

educational assistance overpayments from persons who have terminated their training. In establishing the system, VA anticipated reducing manpower and other administrative costs by centralizing and automating functions previously performed manually at the regional offices.

VA also contracts with State approving agencies in each State to act as its agents in approving schools and courses for VA benefits and to annually evaluate approved schools on such things as curriculum, course instruction, grading policy, conduct, and reporting systems. VA paid State agencies about $11.1 million for these services in fiscal year 1975, and expects to pay about $13.9 million and $14.7 million in fiscal years 1976 and 1977, respectively.

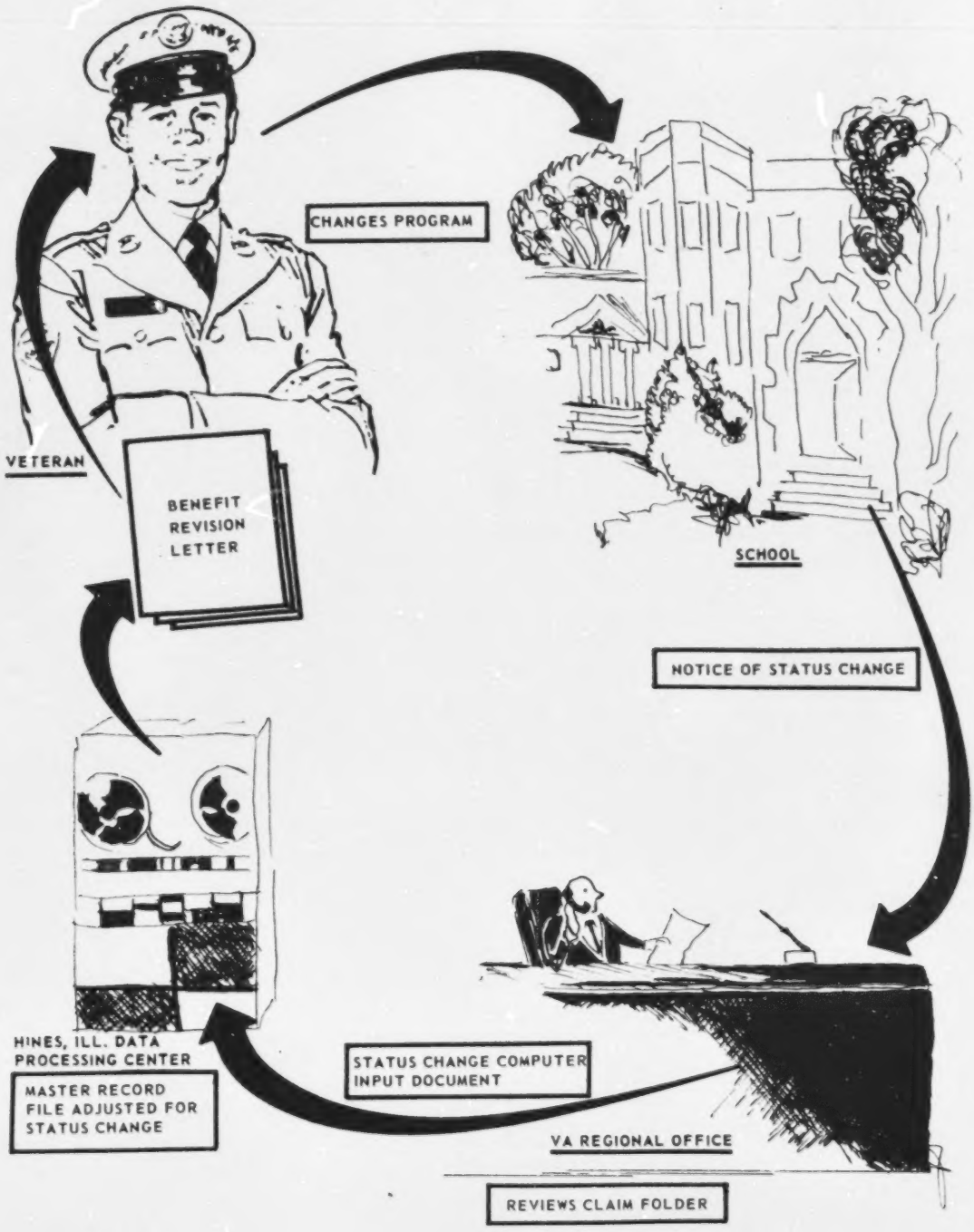
GENERAL REPORTING PROCEDURES FOR VETERAN STATUS CHANGES

The amount of an individual's monthly VA educational assistance payment is partly determined by his or her current course load. Therefore, once enrolled in school, an individual making any change in training status, such as adding or dropping courses or terminating enrollment, must report this promptly to VA.

The enrolled individuals themselves and the school officials serving as certifying officers are responsible for reporting these changes. The general reporting process for training status changes, which starts with the enrolled individual, is illustrated by the chart on the following page.

The veteran (or enrolled dependent) is the first link in the reporting chain. His prompt action is essential to timely reporting. However, if the veteran neglects to report changes to school officials, the school is still responsible for promptly identifying and reporting these changes to VA. For this and other services, VA reimburses schools through a $3 annual reporting fee for each enrolled veteran or dependent.

STATUS CHANGE REPORTING PROCESS



CHAPTER 2

OVERVIEW AND PRINCIPAL CAUSES OF OVERPAYMENTS PROBLEM

Overpayments were only a minor problem in VA's administration of its educational assistance programs before fiscal year 1973. In recent years, however, educational assistance overpayments have increased dramatically, posing a serious problem requiring immediate action by both VA and the Congress.

During the 6-year period ended June 30, 1972, cumulative overpayments discovered by VA totaled $128 million. However in the following 3 1/2 years, VA discovered additional overpayments totaling about $1.3 billion.

The primary cause of the growing overpayment problem, according to our review in VA's Los Angeles region, has been the untimely reporting to VA of enrolled individuals' training status changes that reduce or terminate their monthly educational assistance payments. Also directly contributing to the overpayments are VA processing problems and congressionally authorized multiple-month advance payments and monthly prepayments of educational assistance benefits. Opportunities for improvements in these areas are discussed later in this report.

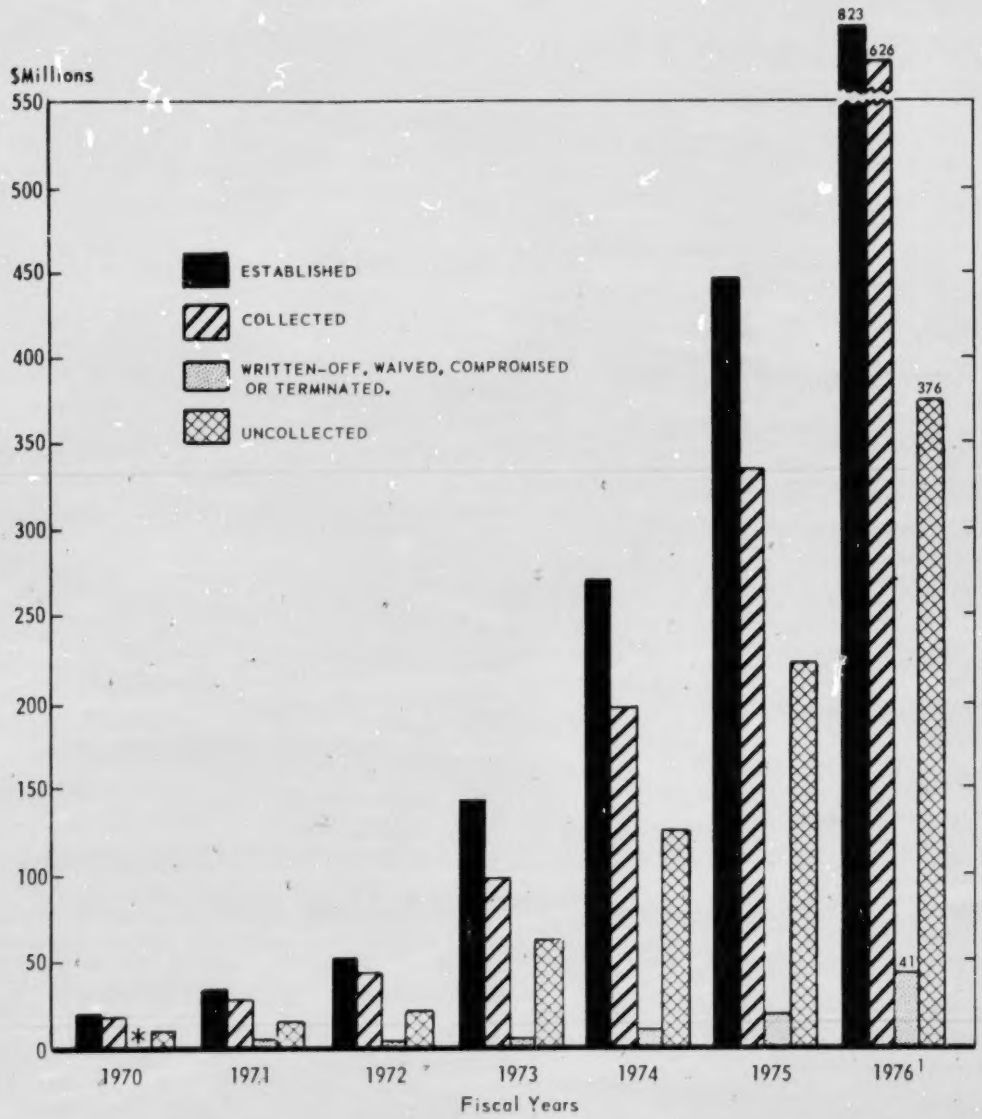
Despite VA's efforts to centralize its collection procedures, the amount of overpayments outstanding continues to grow at an alarming rate. As of December 31, 1975, overpayments outstanding total $298.2 million, an increase of $78 million (35 percent) in just 6 months. If this rate of increase continues during the second half of the fiscal year, overpayments outstanding will total $376 million at June 30, 1976. Needed improvements in VA's collection efforts are discussed in chapter 6.

As long as the $298.2 million remains outstanding, it will be unavailable to VA in making educational assistance payments to eligible persons. In the current fiscal year, VA has had to request an additional $2 billion, above its original appropriation request of $4.2 billion, for educational assistance payments under chapters 31, 34, and 35 of title 38. Part of that $2 billion might not have been needed had the $298.2 million in overpayments been available. Of the $2 billion requested by VA, $800 million is currently pending in the Congress.

GROWTH IN OVERPAYMENTS

The graph below shows the dramatic growth in overpayments during fiscal years 1970-76.

EDUCATIONAL ASSISTANCE OVERPAYMENTS



[1] TOTALS FOR FISCAL YEAR 1976 ARE ESTIMATES BASED ON A PROJECTION OF OVERPAYMENT ACTIVITY AT THE SAME RATES AS ACTUALLY EXPERIENCED IN THE FIRST 6 MONTHS OF FISCAL YEAR 1976

* $731,029

As the chart shows, overpayments are outstripping collections each year, resulting in an ever-increasing balance. On the basis of data for the first 6 months of fiscal year 1976, we estimate that overpayments established in the entire fiscal year may reach $823 million, an increase of more than $375 million over fiscal year 1975. During fiscal years 1970-75, identified overpayments increased about 2,400 percent, while veterans in training increased 118 percent and total educational assistance benefits paid to veterans increased 326 percent.

In addition, overpayments represent an increasing percentage of total assistance benefits paid out by VA, as indicated in the following table.

Fiscal year	Benefits paid	Over-payments identified	Percent
	(millions)		
1967	$ 305	$ 2.0	0.7
1968	467	7.9	1.7
1969	689	16.3	2.4
1970	1,033	17.9	1.7
1971	1,657	33.0	2.0
1972	1,960	50.8	2.6
1973	2,726	142.4	5.2
1974	3,252	269.0	8.3
1975	4,401	446.3	10.1
a/1976	2,634	411.7	15.6

a/July to December 1975.

According to our analysis of the total overpayments outstanding nationwide as of December 31, 1974, about 73 percent were for veterans who attended colleges and universities. The remaining 27 percent were attributable to veterans who attended vocational, trade, and other below-college-level training institutions. This report focuses on overpayment problems concerning veterans who attended colleges and universities, although many factors influencing overpayments at these institutions would also apply to below-college-level training institutions.

CAUSES OF OVERPAYMENTS

To identify and attempt to understand the underlying causes of educational assistance overpayments, we analyzed a random sample of 435 overpayment cases, totaling $64,115 in overpayments, selected from 6 colleges and universities

in the Los Angeles area. Each case was analyzed to identify specific causes for all or part of the overpayment.

The following schedule summarizes the overpayment causes.

Cause of overpayment	Over-payment amount	Percent
Veterans and schools:		
Delays in reporting training status changes	$26,640	41
VA:		
Advance payments and prepayments of benefits	13,332	21
Processing delays or errors	7,418	12
Special payments	6,453	10
Schools and VA:		
Normal processing time	10,272	16
Total	$64,115	100

The six schools selected accounted for about 17 percent of the $21 million in overpayments outstanding on December 31, 1974, for VA's Los Angeles regional office, the office with the largest workload in the VA system. Four of the six schools had the four largest overpayment balances outstanding against veterans in the Los Angeles region. The other two schools were selected because of their relatively moderate balances of overpayments outstanding. The six schools, in order of outstanding balances, are shown below.

School	Total over-payments outstanding	Number of over-payments	Average amount of over-payment	Cases sampled	Over-payment amount
Junior college-A	$1,042,384	2,090	$499	30	$18,546
State university	800,000	2,062	388	38	17,032
Junior college-B	736,970	2,012	366	25	10,469
Junior college-C	594,288	1,345	442	15	6,047
Junior college-D	251,374	616	408	13	5,434
Private university	160,324	440	364	14	6,587
Total	$3,585,340	8,565	419	135	$64,115

Four of the six schools are junior colleges. Nationwide, as of December 31, 1974, junior colleges accounted for over 56 percent of the total overpayments made to persons who attended colleges and universities.

The following examples show how we determined the causes of the overpayments in analyzing our sample cases.

Case description	Cause	Overpayment period	Overpayment amount
Veteran dropped from school on 11/30/74. School forwarded notification to VA on same day. VA received it on 12/2/74. By this date, veteran had already received December prepayment of $270.	Prepayment law	12/1-31/74	$ 270
Veteran was overpaid $894 for 9/11/74 through 1/31/75. Veteran never attended school. School sent VA notification on 10/9/74; VA received it on 10/10/74. By this date, veteran had been paid $315 from advance payment. However, VA did not complete processing this case until 12/30/74. Consequently, veteran received November, December, and January payments.	Advance payment law	9/11/74-10/30/74	$ 315
	VA delays or errors	11/1/74-1/31/75	579
			$ 894
Veteran dropped from school on 2/28/74. He was overpaid $1,095 for period 3/1/74 through 6/14/74, the end of school term. School sent VA notification on 7/4/74; VA received it on 7/9/74 and processed it by 8/5/74. Even if school had processed notice promptly, the March prepayment could not have been avoided. Since school did not discover veteran's termination until after the school term, April, May, and June overpayments are due to veteran/school delay in reporting.	Prepayment law	3/1-31/74	$ 316
	Veteran/school delay	4/1/74-6/14/74	779
			$1,095
Veteran was overpaid $550 for 9/16/74 through 11/30/74 by special payment. VA received a revised notice of enrollment from the school which regional office personnel assumed was a late notice of enrollment, and they processed a special payment for $550. Veteran had been receiving benefit payments during the period and, when special payment transaction was processed against the Hines data center's master record, the special payment was automatically converted to an overpayment.	Special payment	9/16/74-11/30/74	$ 550

CHAPTER 3

VETERANS AND SCHOOLS NEED TO REPORT TRAINING STATUS CHANGES MORE QUICKLY

Veterans and the schools they attend share responsibility for reporting training status changes to VA in a timely manner. About 41 percent of the overpayment amounts in the cases sampled resulted because veterans and schools had not promptly reported changes in status. VA and the State approving agencies, as well as the veterans and schools, could improve the timeliness of status change reporting and thereby reduce the incidence of overpayments.

UNTIMELY REPORTING OF STATUS CHANGES

From available records at the schools and VA's Los Angeles regional office, we determined that an average of about 67 days elapsed from the effective date of a status change to the date VA was notified. Listed below are the average, median, and range of elapsed days for each of the six schools visited.

School	Elapsed days		
	Average	Median	Range
Private university	100.0	80.0	5 -235
Junior college-C	95.7	70.0	10 -225
Junior college-B	71.4	67.0	a/(4)-141
Junior college-A	70.6	69.0	3 -127
State university	50.6	41.0	a/(12)-248
Junior college-D	49.3	46.5	4 -113
Overall average	67.2	54.0	6 -181

a/Negative days occurred in cases about which VA was notified before the effective date of the status change.

The variances among the schools in the average and median elapsed days were due in part to the schools' different reporting systems. If veterans failed to notify veteran affairs personnel 1/ of training status changes at these schools, the changes would show up in school records and reports at different times during the school year. For example:

1/School employees responsible for certifying school attendance and processing paperwork on veterans.

--Two schools would generally not detect training status changes until the end of the school year (June), when grade reports were made available to veteran affairs personnel.

--Two schools would generally discover these status changes at the end of each semester, when grade reports or computer listings were made available to veteran affairs personnel.

--Another school would generally detect the changes at the middle or the end of the semester, when computer lists were published.

--One school would identify the changes at the end of each month, when computer lists were generated.

Even when these schools detected unreported training status changes, further delays would sometimes occur while school officials verified the changes with instructors or the veterans.

According to several school officials, veterans often fail to notify veteran affairs personnel of training status changes that reduce or terminate their assistance payments, but most veterans promptly report status changes that increase their benefits. We noted that, in mailing out the November 1975 benefit checks, VA included with each check a notice to veterans of their obligation to promptly report all status changes. VA officials said a similar notice will be included with the March 1976 benefit checks.

WAYS TO IMPROVE VETERAN/SCHOOL REPORTING

VA can improve school and veteran reporting of training status changes by

--increasing and improving VA's compliance surveys at schools,

--providing more guidance to State approving agencies that oversee school operations for VA,

--increasingly using its authority to assess overpayments against schools that are negligent in reporting status changes,

--reevaluating VA's reporting fees to schools, and

--increasingly using on-campus VA personnel in reporting.

Improvements needed in VA's compliance surveys at schools

VA's regional offices have compliance survey specialists who visit selected schools to verify and insure the propriety of educational assistance payments to veterans. The specialists have a preselected sample of up to 50 cases of persons who had received VA benefits while attending the school under survey. These cases, selected without regard to whether they involve overpayments, are verified with school records to insure the accuracy and validity of benefit payments.

Although colleges and universities accounted for 73 percent of all educational assistance overpayments, compliance surveys at these institutions before February 1974 were made only on a "specific need" basis. VA's survey efforts were directed primarily at schools below the college level. During fiscal years 1970-75, the number of colleges and universities surveyed by VA were as follows:

1970	299
1971	266
1972	88
1973	60
1974	127
1975	467

According to VA, the low figures for fiscal years 1972 and 1973 reflect VA's focus on below-college-level schools in those years.

In February 1974, however, VA revised its regulations to specifically require regional offices to perform compliance surveys annually at 25 percent of the colleges and universities with 300 or more eligible persons. As a result, compliance surveys at these schools in fiscal year 1975 increased to 467, about three times that of the previous year. In December 1975, VA further revised the time schedule for compliance surveys to require that all colleges and universities with 300 or more eligible persons and 25 percent of schools with less than 300 be surveyed annually. As of April 30, 1975, only 991 colleges and universities nationwide had 300 or more eligible persons, while 3,888 colleges and universities had less than 300. On the basis of these figures, VA has estimated that its regional offices will be required to make compliance surveys at more than 1,950 colleges and universities in fiscal year 1976.

During fiscal year 1975, each of the four schools with the highest overpayment balances in Los Angeles were

surveyed. However, despite the high overpayments and the delays we noted in status change reporting at all four schools (see pp. 7 and 9), the survey reports concluded that the schools were generally in compliance with VA reporting requirements. According to officials at these four schools, the compliance specialists did not evaluate their reporting procedures nor suggest improvements to the reporting systems during the surveys. They said no formal written reports regarding the survey teams' findings were issued to the schools.

VA's Los Angeles regional office compliance specialists acknowledged that, unless they found serious deficiencies in the propriety of assistance payments when verifying sample cases with school records, reporting procedures generally were not evaluated. VA regional office supervisory officials added that VA generally has to accept school reporting procedures if those procedures are used for all students, since VA cannot require schools to adopt special reporting procedures for veterans.

During our visits, however, we discussed with school officials the following modifications in reporting procedures that would improve reporting compliance without greatly changing schools' policies.

--Two schools had monthly computer lists of courses added and dropped by students. With a slight computer programing change to mark with an asterisk veterans on these lists, both schools could quickly identify training status changes from the lists. Without these symbols, identifying veterans manually was almost an administrative impossibility because of the large numbers of students. This modification could speed up reporting as much as several months at one school.

--A school that did not have computer lists could establish a manual procedure to require students receiving VA assistance payments to clear through the on-campus veteran affairs office before processing training status changes through the registrar's office.

School officials said these suggestions would be evaluated for implementation during the next school term.

In addition to the six schools from which our sample of 135 overpayment cases was selected, we visited another school in the Los Angeles region which, in October 1975,

established a special computer program to provide weekly listings of veterans with training status changes along with computer-generated status change forms to submit to VA. According to school officials, the computer programing costs were $700 and the annual operating costs were estimated at $690. While these cost figures were for only one school and were not audited, they indicate that the costs of improving school reporting procedures through increased use of school computer facilities might be relatively low.

With its limited resources for compliance surveys, VA also could focus its attention on the major sources of overpayments. About 22 percent of the colleges and universities nationwide accounted for about $114 million of $166 million (more than 68 percent) of the overpayments outstanding as of December 31, 1974. Consequently, VA could concentrate compliance survey efforts at about one-fifth of the schools and thus attack reporting problems that contribute to 68 percent of the overpayments.

State approving agencies need more guidance on overpayment problems

VA contracts with State approving agencies across the country to review school credentials and performance. This review includes the schools' reporting to VA training status changes. The agencies are required to report any discrepancies and problems to the VA. VA relies on the agencies to evaluate school courses, curriculum, grading policies, and rules of operation and conduct. On the basis of these evaluations, VA approves the payment of benefits to eligible persons attending these schools.

Los Angeles regional officials said they rely heavily on State approving agencies to evaluate school procedures for reporting training status changes, but State agency officials we contacted said they generally do not have time to evaluate these procedures. They added, however, that if they knew of significant overpayment problems at a particular school, they could consider such a review.

In our opinion, VA should provide State approving agencies with periodic lists of the relative ranking of schools in terms of overpayments. This would help these agencies in identifying and concentrating their efforts at schools with poor reporting practices. In a June 30, 1970, letter report to the Deputy Administrator of VA on our review of State approving agency activities, we recommended that such a list be provided to the approving agencies, in addition to schools and regional offices. The VA central office agreed with our recommendations and said the list

would be provided to State approving agencies. VA issued the list to its regional offices for over 2 years (from March 1971 through September 1973), but did not send it to approving agencies or schools.

VA needs to increase assessments of overpayments against schools

VA is authorized (38 U.S.C. 1785) to assess the full amount of an overpayment against a school that is negligent in reporting a change in an eligible person's educational status. However, this authority is infrequently exercised.

VA brought only 43 cases of liability against schools nationwide during fiscal year 1974, and only 49 cases in fiscal year 1975. VA central office officials did not maintain data on the reasons for these assessments, but they believed very few had been made because of negligent reporting of training status changes.

In May 1975, VA issued a circular to all regional offices to clarify and emphasize its statutory and regulatory responsibility to assess schools. The circular gave regional offices more detailed and specific guidelines on processing assessments. It emphasized the importance of schools promptly reporting training status changes to VA and pointed out that schools were not to be relieved of this responsibility. Furthermore, regional offices were instructed to closely review overpayments to determine school liability.

In January 1975, Los Angeles regional officials advised us that no assessments had been made against schools in that region for negligent reporting of training status changes. Despite the May 1975 circular and the results of our analyses of 135 overpayment cases, as of December 31, 1975, no assessments of liability had yet been made against any schools in the region.

The long delays by schools in reporting training status changes, identified in our analyses of the 135 sampled overpayment cases, may indicate general negligence on the part of those schools. However, because of VA's emphasis on the students' responsibilities to repay the overpayments, the schools have been generally unaffected by the overpayment problems of eligible persons on their campuses.

Proper implementation of VA's May 1975 circular could change this situation. Several officials of Los Angeles area schools have stated, and we agree, that assessing the

schools for overpayments resulting from untimely reporting of training status changes might motivate the schools to improve their reporting.

VA needs to reevaluate reporting fees paid schools

Each year since fiscal year 1967, pursuant to 38 U.S.C. 1784, VA has paid schools $3 for each veteran and dependent on their rolls as of October 31 to cover the cost of administrative activity and the preparation of required reports. Since August 1974 VA has also paid schools an additional $1 for each student receiving an advance check that must be handled and delivered to the student at registration.

In fiscal year 1975, reporting and check handling fees paid to schools nationwide totaled about $5.2 million. VA estimates that in fiscal year 1976 these fees will total about $6.4 million, reflecting the increased numbers of veterans and dependents expected to attend colleges and universities this year.

According to officials at all schools visited, the $3 fee was insufficient to cover the costs of recording and reporting on veteran and dependent educational program activities. Several stated that the total fees received would not even pay the salaries of those responsible for reporting changes in training status. Reporting fees, including the $1 fee for handling advance payment checks, paid to the six schools in our sample in 1974 follow:

Junior College-A	$13,496
State University	10,788
Private University	10,076
Junior College-B	9,730
Junior College-C	8,538
Junior College-D	8,052
Total	$60,680

In the 8 years that the $3 reporting fee has been in effect, it has not been reevaluated to determine its adequacy in light of rising school operating costs and as an incentive for timely reporting of training status changes.

In view of the identified delays in school reporting and school officials' comments about the inadequacy of the current $3 reporting fee, we believe VA should reevaluate the fee and, if appropriate, submit amendatory legislation to the Congress.

VA resources on school campuses could be better utilized

At colleges and universities nationwide, VA has considerable staff resources available that could be more effectively used to reduce schools' delays in reporting training status changes of enrolled veterans and dependents. These resources include (1) full-time VA employees, known as veteran representatives on campus, and (2) veteran-students participating in VA's work-study program.

Veteran representatives on campus

Since August 1974 VA has had more than 1,300 veteran representatives on school campuses primarily to answer benefit inquiries from veterans and expedite educational assistance payments. Employing veteran representatives and assigning them to campuses was initially an administrative action in response to numerous delays that veterans had experienced in receiving their educational assistance payments during the previous school year. The veteran representatives on campus program was mandated by the Congress in December 1974 when it enacted Public Law 93-508.

Because of opposition to the program by schools that viewed it as an unwarranted Government intrusion in school affairs, VA decided to limit veteran representatives' activities to answering inquiries from veterans and not let them become involved in certifying student attendance or other school reporting responsibilities. At five of six Los Angeles area schools visited, veteran representatives were generally complying with these limitations, concentrating almost exclusively on veterans' inquiries. At the sixth school, veteran representatives had temporarily assumed the responsibility for reporting training status changes while the school official normally responsible for this was on leave pursuing an advanced degree. Because the representatives had not been performing this responsibility for long at the time of our visit, we could not evaluate their effect on the timeliness of the school's status change reporting.

We believe that, if given the opportunity and permission to do so, veteran representatives could provide more valuable assistance to VA, the schools, and the veterans by helping to identify ways of improving the timeliness of the schools' status change reporting and thus reduce the overpayments at those schools. Although some schools continue to restrict representatives' access to school records, we believe, on the basis of our visits to schools and discussion with VA officials, that the

initial objections to placing veteran representatives on campus have generally subsided. Officials at all six schools said they would welcome suggestions from VA for improving their reporting procedures.

Work-study veterans

Under VA's work-study program, veteran representatives and the schools can receive part-time assistance from veteran-students, who are paid an additional educational assistance allowance of up to $625 per enrollment period for up to 250 hours of VA-related work. This work can involve (1) veteran outreach services, (2) preparation and processing of necessary papers and other documents at schools or at VA facilities, or (3) any other appropriate VA activity.

VA estimates that, in fiscal year 1976, 9.5 million work-study hours will be used nationwide at a cost of $23.6 million and that in fiscal year 1977 a total of 9 million hours will be used at a cost of $22.4 million.

Despite statutory restrictions to the contrary, work-study veterans are not necessarily working exclusively in VA-related activities. At three of the Los Angeles area schools we visited, many work-study veterans were working in non-veterans-affairs areas, such as school libraries, cafeterias, and janitorial areas. At one school with 49 work-study veterans, the on-campus veteran representatives were using only 6 veterans and the school's veterans affairs office only 12. The remaining 31 veterans were being used in assorted non-veterans-affairs areas.

In June 1975, VA's central office instructed all regional offices to insure that work-study veterans work only under the supervision of a VA employee and only on veteran affairs activities directly related to VA's responsibilities in approving and paying benefits. This instruction is a step in the right direction. Work-study veterans on college and university campuses, in our opinion, can provide a valuable service in helping veteran representatives and the schools to expedite status change reports and in identifying ways to improve the schools' reporting procedures and practices.

CONCLUSIONS

VA actions to improve veteran/school reporting have been limited. Compliance surveys conducted at colleges and universities were increased during fiscal year 1975, but such surveys should devote more attention to evaluating

the reporting systems so that constructive suggestions can be made to school officials. More VA assistance and guidance to State approving agencies is needed if these agencies are to alleviate school reporting problems that cause overpayments. With about 22 percent of the colleges and universities accounting for over two-thirds of the outstanding overpayments (as of December 31, 1974) VA could concentrate its limited resources on certain schools to substantially improve the overpayment situation.

VA could also reduce overpayments by (1) increasing overpayment assessments against schools that are negligent in reporting training status changes, (2) increasingly using VA staff resources on school campuses to correct reporting problems, and (3) evaluating the reasonableness of the statutory reporting fees paid to schools and, if necessary, proposing amendatory legislation to the Congress.

RECOMMENDATIONS TO THE ADMINISTRATOR OF VETERANS AFFAIRS

To reduce overpayments, we recommend that the Administrator emphasize:

--Improving the timeliness of school reporting through more frequent, comprehensive compliance surveys at schools, particularly those with large balances of overpayments.

--Increasing guidance to and cooperation with State approving agencies on overpayment problems.

--Increasing assessments of overpayments against schools which are negligent in reporting training status changes.

--Increasingly using its on-campus resources, such as veteran representatives and work-study veterans, in identifying and correcting school reporting problems.

--Reevaluating the adequacy of statutory school reporting fees as an incentive for timely reporting of training status changes and, if necessary, submitting proposed amendatory legislation to the Congress.

CHAPTER 4

OVERPAYMENTS CAUSED BY VA PROCESSING CAN BE REDUCED

By improving its processing techniques, VA can reduce overpayments. Manual verification of training status changes by VA's regional offices should be eliminated. This would speed the processing of changes and thereby avoid as much as 11 percent of all overpayments. Also, by limiting the use of special payments to those cases involving economic hardship, VA could greatly reduce the 10 percent of overpayments caused by special payment procedures. Overpayments could be further reduced if VA increased its use of teletype stop-payment procedures.

MANUAL VERIFICATION OF STATUS CHANGES SHOULD BE ELIMINATED

As indicated in the chart on p. 3, when a training status change notice is received at a VA regional office, the student's claim folder is reviewed to verify the accuracy of data on the notice before it is forwarded to the Hines data center for computer processing. Reviewing the claim folder is a time-consuming manual process.

In July 1971, we reported to the Congress 1/ that VA could more quickly process training status changes by eliminating this manual verification procedure at its regional offices, relying instead on the Hines data processing center's computer screening functions. In a test project performed in conjunction with the Los Angeles regional office in 1970, we found that about 90 percent of the status changes could be processed correctly through the regional office to the Hines data center without routinely pulling and reviewing individual claim folders. The other 10 percent were rejected at the data center and required regional office review to correct name and/or identification numbers (8 percent) and erroneous termination of training (2 percent).

We concluded that, by eliminating the manual verification procedure, VA could accelerate the processing and disposition of status changes, saving about $600,000 annually.

1/"Further Action By Veterans Administration Could Reduce Administrative Cost and Improve Service to Veterans Receiving Educational Benefits," B-114859, July 8, 1971.

VA agreed in principle with our recommendation and indicated that it planned to automate status changes. VA gave similar assurances to the Senate Committee on Government Operations in August 1971, indicating implementation by June 1972. However, VA subsequently decided against automating status change processing.

To obtain a more current assessment of the accuracy of information submitted by schools in reporting status changes, we evaluated a sample of 39 status changes at the Los Angeles regional office in 1975. About 92 percent (36 changes) were found to be accurate, complete, and sufficient for processing without claim folder review. This sample was small, but the results closely approximated those of the 1970 test.

Through discussions with VA officials and our analysis of statistical information, we determined that processing training status changes without manual verification of data would have required an average of about 10 days at the Los Angeles regional office, a savings of 7 days compared to the normal average of about 17 days. By applying the 10-day processing time to the actual circumstances in the 135 sampled overpayment cases, we determined that $7,333, or about 11 percent, of the $64,115 in total overpayments for these cases could have been avoided by eliminating manual verification. Although processing times may vary from region to region, we believe that much of the overpayment amounts established nationwide could have been avoided if our 1971 recommendation had been implemented.

We also estimated that, had VA's Los Angeles regional office implemented the automated processing of status changes as planned, about $1.4 million in admininstrative costs could have been avoided between July 1972 and December 1974. These costs, which related to salaries, overtime payments, and general overhead, were based on our comparative estimates of the total man-hours needed during the period to process the training status changes, both with and without manually reviewing individual case files to verify the accuracy of the data on each change document. We did not compute the costs of manually reviewing case files for training status changes at the other 57 VA regional offices; however, we believe millions of dollars in administrative costs might have been avoided nationwide by automating the processing of training status changes.

In May 1975, we asked VA why the automated status change processing was not put into effect. The Administrator of VA responded in July 1975, stating in part that

"The processing of any additional status changes without a review of the claims folder has been decided against due to the inherent dangers involved. To amend an award without reviewing the claims folder may very easily result in an erroneous award or duplication of actions. The processing of changes in dependents is another area in which caution should be exercised by reviewing the claims folder before a determination is made to increase or decrease benefits. Legal questions of marriage, divorce, separation and custody of children may complicate the situation."

We recognize that these factors influence the processing of status changes, but for the following reasons we do not agree that these problems are significant enough to justify prohibiting the automation of status change processing.

--In our review of overpayment cases, we did not find any cases complicated by dependency status or by legal questions of marriage, divorce, separation, and custody of children. Changes of this nature occur much less frequently than school terminations or increases or decreases of training load. Changes in these categories generally have to orginate with the veteran since school officials have no way of knowing when they occur. Furthermore, VA claim files contain essentially the same data on these matters as do the Hines computer files.

--Each year schools are required to notify VA of veterans who are continuing their educational pursuits by reenrolling in school. These reenrollment notices were once routinely reviewed by regional offices with claim folders in much the same manner as training status changes. However, in 1970 VA automated the processing of these forms, eliminating regional office review. VA told us and the Congress that the next step was the automation of status changes. We believe that VA should follow through with the automation of training status changes based, in part, on its success with reenrollment notices.

--VA has not made any studies to demonstrate that automation of status changes is impractical.

USE OF SPECIAL PAYMENTS SHOULD BE LIMITED TO HARDSHIPS

Hardship payments, made outside the regular education benefit payment system by local or teletype procedures, were originally established by VA to pay individuals suffering

economic hardships because of delays in the processing of their regular benefit payments. In July 1974, however, VA dropped the term "hardship" and substituted the term "special" to more appropriately recognize the expanded use of these payments by regional offices. Under VA's expanded criteria, special payments will be made:

--If the eligible person had claimed financial need.

--To pay persons due more than 30 days benefits at the time their paperwork is processed for benefit payments.

--If a regular entrance or reentrance benefit award document had been rejected by the Hines data center's computer because of data errors, and a payment is due.

--To speed the processing of advance payment checks when regular processing will not get these checks to the schools in time for delivery to the student at registration.

In our sample of overpayment cases, special payments caused about 10 percent of the overpayments. Nationwide, overpayments resulting from special payments amounted to $11.6 million as of December 31, 1974, or about 9 percent of total overpayments then outstanding. Regional offices are using special payments more frequently. In fiscal year 1974 special payments accounted for about 5 percent of all educational assistance payments made, but in fiscal year 1975 special payments accounted for about 10 percent of the total assistance payments.

Special payments become overpayments substantially more often than regular payments because transaction data is not verified with the Hines data center master records before benefit checks are issued. With regular benefit payments, transaction data is automatically verified with Hines master record data to safeguard against inappropriate payments. Circumventing the master record verification reduces processing time, minimizes rejections, and speeds the issuances of benefit checks, but it also causes substantially more overpayments.

Our comparative analysis of fiscal year 1974 regular and special payment statistics for the Los Angeles regional office showed that 3.3 percent of the regular payments resulted in overpayments, whereas 6.3 percent of the special payments became overpayments. Therefore, special payments

had a 91 percent greater chance of becoming overpayments than did regular payments.

Two special payment situations that frequently result in overpayments are described below.

--When the regular transaction data, which normally follows the special payment data, processes through the master record before the special payment, a regular benefit check is issued. When the special payment transaction finally arrives, it is also processed with a benefit check issued for the same period covered by the regular payment, thereby creating an overpayment. Had the special payment been processed first, a suspense account would have been established in the master record for offset against the regular payment transaction, thus preventing the overpayment.

--Incorrect data, such as the person's name or identification number, listed on either the special payment transaction or the subsequent regular payment transaction will prevent the computer from matching the two transactions. An overpayment will result by the issuance of two benefit checks for the same period.

We did not determine the number of persons who routinely received a special payment that would have qualified for a hardship payment. However, on the basis of VA-wide data, we believe many special payments would not have been made had the bona fide hardship criteria continued. During fiscal year 1974, 267,470 special payments were made. In fiscal year 1975, after the term "hardship" was dropped, 816,824 special payments were made, representing an increase of 205 percent. During the same period, the number of persons in training increased by only 14.3 percent, from 2.45 million to 2.80 million.

In view of the higher frequency of overpayments that VA is experiencing as a result of its liberalized use of special payments, we believe it should limit these payments to cases of bona fide hardship.

TELETYPE STOP-PAYMENT NOTICES SHOULD BE USED MORE OFTEN

Regional offices can further reduce overpayments by increasing their use of teletype transmissions of stop-payment notices to the Hines data processing center. In many cases the VA Los Angeles regional office could have prevented 1 month's overpayment by transmitting a teletype stop-payment

notice to the Hines center when insufficient time remained for regular processing.

The Hines data center operates on computer processing cycles to handle the various transactions necessary to administer VA's compensation, pension, and educational assistance programs. Each computer processing cycle operates at certain times each month. To update VA's master records, data must reach the Hines center by specific dates during the month. The regional offices receive a list of these dates in advance of each month's processing schedule so that they can mail data to reach the center in time for processing during the appropriate cycles.

Under VA's compensation and pension programs and in accordance with established operating procedures, regional offices routinely transmit teletype stop-payment notices to the Hines data center when normally processed notices would not arrive in time to prevent an overpayment. However, regional offices seldom use teletype stop-payment procedures for educational assistance benefits. Nationwide, between March 1, 1975, and July 17, 1975, only 1,016 education stop-payment notices were teletyped to Hines by all regional offices. During the same period, the Hines center received 4,315 stop-payment teletype messages for compensation and pension payments.

VA's educational assistance regulations allow regional offices to use teletype stop-payment procedures; however, as pointed out by officials at VA's central office and Los Angeles regional office, the regions are not required or directed to use the procedures to stop education payments. According to VA central office officials, regions could make greater use of the procedures but a feasibility study would be necessary before the central office would direct regional offices to substantially increase such use.

We do not agree that a feasibility study is needed before VA's regional offices can be directed to increase their use of the stop-payment procedures. The feasibility of these procedures has been acknowledged by VA's providing for their use in its regulations and has been demonstrated by the March to July 1975 statistics which showed that the procedures were used 1,016 times to stop education overpayments. We believe that the regional offices should be directed immediately to substantially increase their use of teletype stop-payment notices as a means of preventing educational assistance overpayments.

CONCLUSIONS

VA regional processing problems, including special payment errors and delays in processing training status changes, account for many of the educational assistance overpayments made annually. Improvements can and should be made to avoid or minimize these problems.

By implementing our prior recommendations for automating training status changes, VA could have reduced overpayments by as much as 11 percent while reducing administrative costs at the Los Angeles region by about $1.4 million through December 31, 1974. Had VA implemented this recommendation in June 1972 as it originally intended, millions of dollars in administrative costs might have been avoided nationwide over the succeeding 2 1/2 years.

Because they bypass normal fiscal controls, special payments much more frequently result in overpayments than do regular benefit payments. In the last several years VA has increasingly issued special payments. In our opinion, limiting special payments to persons with bona-fide economic hardships would greatly reduce the number of these payments and the number of overpayments.

Overpayments could be further reduced by using teletype stop-payment notices in cases where routine processing would fail to notify the Hines data center soon enough to prevent issuance of the next month's payments.

RECOMMENDATIONS TO THE ADMINISTRATOR OF VETERANS AFFAIRS

To reduce educational assistance overpayments due to VA processing procedures, the Administrator should

--implement immediately a pilot program to automate training status changes as recommended in our 1971 report,

--limit the use of special payments to proven hardship cases, and

--expand the use of teletype stop-payment notices to halt overpayments.

CHAPTER 5

THE CONGRESS MAY NEED TO RECONSIDER THE ASSISTANCE PAYMENT LAW

Our analysis of 135 overpayment cases showed that about 21 percent of the overpayment amounts resulted from the advance payment and/or prepayment of educational assistance. The Congress can partially reduce the impact of advance payments in creating overpayments by amending the law to limit such payments to those individuals having bona fide financial needs. However, to curtail overpayments caused by the monthly prepayment of educational assistance, the Congress may have to reenact a post-payment system for educational benefits.

ADVANCE PAYMENT AND PREPAYMENT OF EDUCATIONAL ASSISTANCE

In October 1972, the Congress enacted the Vietnam Era Veterans' Readjustment Assistance Act of 1972 (Public Law 92-540). The act provided for (1) the advance payment of initial educational assistance benefits at the start of an enrollment period for those eligible persons pursuing a program of education on a half-time or more basis and (2) monthly prepayment of subsequent benefits during the period of enrollment. Before this act, educational assistance payments for training on a half-time or more basis were made at the end of the month for which the payments were earned. This was known as a post-payment system. The prepayment provision became effective on November 1, 1972, and the advance payment provision on August 1, 1973.

The advance payment provision was supported by VA and was based upon a finding by the Congress that

> "* * * eligible veterans and eligible persons need additional funds at the beginning of a school term to meet the expenses of books, travel, deposits, and payment for living quarters, the initial installment of tuition, and the other special expenses which are concentrated at the beginning of a school term." (38 U.S.C. 1780 (d)(1))

The advance payment is equal to the assistance allowance for the month or fraction thereof in which the eligible person's program of education will commence, plus the allowance for the next month.

The monthly prepayment of subsequent allowances is intended to shorten the time frame, by a full month, between the date the person receives his or her advance payment check and the date the next regular monthly check arrives. For example, if a veteran receives an advance payment check at registration on September 15, covering the allowances he would earn for the rest of September and all of October, under a post-payment system, he would not receive another assistance check until the end of November. Under the prepayment provision, his second check would arrive at the end of October or beginning of November.

BETTER CONTROLS NEEDED TO AVOID OR MINIMIZE OVERPAYMENTS

Despite administrative controls established by Public Law 92-540, advance payments and prepayments of educational assistance benefits are contributing greatly to VA's escalating overpayments problem.

As stated earlier, in the 6 years before fiscal year 1973, identified overpayments totaled $128 million. However, in fiscal year 1973, the first year of prepaid assistance, an additional $142.4 million in overpayments were made, and during fiscal year 1974, when advance payments were implemented, overpayments totaling $269 million were made.

In contrast to the $128 million in overpayments during fiscal years 1967-72, overpayments in the following 3 1/2 years have totaled more than $1.2 billion. This does not mean that all overpayments since fiscal year 1972 have been the result of advance payments and prepayments; however, these provisions have been in recent years, and continue to be, major factors contributing to the enormous growth in overpayments.

Of the 135 overpayment cases sampled at the 6 Los Angeles area schools selected for study, 104 (77 percent) involved overpayments that occurred after November 1, 1972, when the advance payment and/or prepayment provisions were in effect. In 83 (about 80 percent) of the 104 cases, the advance payment or prepayment provision contributed to the overpayment made, accounting for $13,332 (21 percent) of the $64,115 in overpayments for all 135 cases sampled.

To assess the influence of advance payments as a cause of overpayments, we analyzed the sampled overpayments established during the 1974 fall school term--September to December 1974--a time when large numbers of advance payments were made. Twenty-six percent of the sampled overpayment amounts established during that period were the result of advance payments.

Ineffective administrative controls

Public Law 92-540 contained a number of administrative controls to deal with possible overpayments that might result from the advance payment and prepayment of educational assistance. These controls included (1) requiring proof of the individual's enrollment in an approved educational institution before releasing the advance payment; (2) permitting VA to withhold the final payment of an enrollment period until proof of the individual's satisfactory pursuit of his educational or training program has been submitted; (3) authorizing VA to offset any resulting overpayment against any other benefit (such as compensation or pension payments) otherwise due the overpaid individual under any other law VA administers; and (4) declaring any overpayment not recoverable by offset to be a liability of the overpaid individual, recoverable in the same manner as any other debt due the United States.

These administrative controls may have partially deterred abuses of the payment provisions and provided legal bases and procedures for at least partial recovery of overpayments, but they have not effectively prevented overpayments. As shown in our sample of overpayment cases, 21 percent of the total overpayment amounts were the direct result of either advance payments or prepayments to individuals certified as having enrolled in approved educational programs.

In some instances the individual had been certified by the school as having enrolled, was given his advance payment, but then failed to pursue any training. (See second example on p. 8.) In other instances individuals dropped out of school after partially pursuing training, and overpayments resulted, even though the school and VA may have received timely notification of the status change, because the individuals had been prepaid for at least part of the next month's unearned assistance payment. (See first example on p. 8.) The existing administrative controls cannot prevent these types of overpayments from occurring. They are built into the payment system and occur because of the manner in which payments are authorized to be made.

VA policy may be contributing to overpayments

The current VA policy of automatically authorizing advance payments may also be contributing substantially to the overpayments resulting from advance payments. When advance payments were first introduced in August 1973, VA made an advance payment only upon specific request from

the eligible person. Under this policy about 563,000 advance payments totaling $202.4 million were made in fiscal year 1974. (During the same year, $269 million in overpayments were made.)

In May 1974, however, to provide more timely delivery of educational assistance payments, VA began to automatically authorize an advance payment, without a specific request, when information was received from the individual or the school that the individual was eligible for benefits and would be enrolling in an educational program. As a result of this liberal policy, about 736,000 advance payments totaling $273.5 million were made in fiscal year 1975, representing a 31 percent increase over the previous year. In the 6 months ended December 31, 1975, about 608,000 advance payments totaling $234 million were made. (During the same periods, $446.3 million and $411.7 million, respectively, in overpayments were made.)

VA's routine issuance of large numbers of advance payments without ascertaining the students' desire or financial need for these payments, in our opinion, is contributing to the growing number of overpayments.

According to officials of VA's central office, this policy of automatically authorizing advance payments to all persons eligible under the law reflects the intent of the Congress in enacting the advance payment provision in 38 U.S.C. 1780. We tend to agree. In view of the resulting high incidence of overpayments, however, we believe that those receiving advance payments (which for an unmarried person can be as much as $540) should be required to meet a bona fide financial needs test.

We recognize that persons enrolling in certain schools, particularly private 4-year colleges and universities, are often faced with very high initial school expenses and may have a justified financial need for an advance payment. However, other persons, such as those enrolling in State-supported colleges or universities or in 2-year junior or community colleges, generally have relatively low tuition costs and may not need a sizeable advance payment. Moreover, as pointed out on page 8, as of December 31, 1974, junior colleges accounted for over 56 percent of the total overpayments nationwide made to persons attending colleges and universities.

We believe, therefore, that 38 U.S.C. 1780 should be amended to require VA to issue advance payments only to those individuals determined by VA to have a bona fide

financial need. Individuals desiring advance payments should be required to provide a brief statement of their financial need for the advance. This procedure, we believe, would significantly reduce the number of advance payments and resulting overpayments, while still providing advance assistance to those individuals with a bona fide financial need.

CONCLUSIONS

The advance payment and prepayment provisions of Public Law 92-540 and VA's administration of the advance payment provision have caused many overpayments. Limiting advance payments to individuals who are determined to have a bona fide financial need could greatly reduce overpayments attributable to the advance payments. However, overpayments attributable to prepayment of subsequent monthly assistance allowances will continue to occur due to the inherent nature of these payments.

We recognize that the overpayment problem must be balanced against the desirability, and legislatively determined need, for paying educational assistance allowances before they are earned through actual pursuit of training. However, returning to a post-payment system, like that in effect before November 1972, would greatly reduce overpayments and relieve the growing pressures on VA's already strained collection system.

MATTERS FOR CONSIDERATION BY THE CONGRESS

In enacting the advance payment and prepayment provisions of Public Law 92-540, the Congress recognized that overpayments might result and, accordingly, enacted certain administrative controls. These controls, however, have not effectively prevented overpayments, primarily because of the nature of the payment provisions. As a result, many overpayments have occurred.

Limiting advance payments to those persons who have bona fide financial needs, in our opinion, would be consistent with congressional intent to provide advance assistance to those in need and could minimize overpayments attributable to advance payments. Accordingly, the Congress may wish to consider amending 38 U.S.C. 1780 to require persons desiring advance payments to submit a brief financial need statement for VA to use in determining their eligibility for advance payment.

Also, the only apparent way to stop overpayments resulting from monthly prepayments is to change the law. In view of the growing magnitude of overpayments, their adverse effect on those who receive and must repay them, and the desirability of fiscal restraint in these difficult economic times, the Congress may wish to reconsider the prepayment provision of Public Law 92-540 and to reenact a post-payment system for VA educational assistance benefits.

CHAPTER 6

VA'S COLLECTION EFFORTS NEED STRENGTHENING

Collection of educational assistance overpayments has not kept pace with the increasing numbers of overpayments established annually. Overpayments outstanding increased 3,450 percent, from $8.4 million at the end of fiscal year 1970 to $298.2 million at December 31, 1975. Overall, VA has collected about 75 percent of the overpayments established and has waived, compromised, and written off as uncollectible, about 4 percent. The other 21 percent is still on hand pending disposition. According to a VA analysis of $197.3 million in overpayment collections in fiscal year 1974, over 86 percent were accomplished by offset against benefits otherwise payable to persons continuing in training or returning to school. Cash repayments accounted for less than 14 percent of collections.

The following areas relating to VA's collection efforts need improvement.

--VA's Centralized Accounts Receivable System, which is overloaded with cases due to the increasing volume of overpayments.

--VA's collection procedures, which need to be more aggressive and explicit, particularly in letters to veterans.

--Determining the cost of collection in relation to potential recoveries.

--The collection of overpayments resulting from special payments.

--Cross-checking between programs, such as between compensation, pension, and educational assistance, to offset and collect overpayments.

Improvements in these areas should improve collection results. However, it should be kept in mind that, if VA concentrated on eliminating or minimizing the causes of overpayments (as discussed in previous chapters of this report), the need for an elaborate, expensive collection system would be lessened.

OVERPAYMENT ACCOUNTS BACKLOG INCREASING

VA's Centralized Accounts Receivable System at St. Paul, Minnesota, which became fully operational in January 1975,

centralized VA collections. In its first 6 months of operation, the system received for collection from the Hines data center over 332,700 educational assistance overpayments valued at $180 million. In June 1975 alone, about 89,000 accounts were transferred to St. Paul for collection. As of June 30, 1975, the centralized system had a balance of 240,653 education overpayment accounts totaling more than $119 million.

The St. Paul system only receives "inactive" accounts--those involving persons who are not in training and against whom cash collection action must be taken. For "active" accounts, involving persons still in training, the Hines data center automatically offsets the overpayments against current education benefits until the full amount is recovered.

The increasing volume of inactive overpayment accounts has substantially increased the workload for the St. Paul computer system. As a consequence, the computer system has been unable to process all collection data on a daily basis. In May 1975 the system instead began processing education accounts every other day. According to St. Paul officials, if the current rates of new accounts and dispositions continue, the system may not be able to effectively process the increasing volume of accounts.

Shortages in trained staff have also been a problem. As of June 1975 the centralized system had only about 66 percent of authorized staff. As a result, 37,000 letters from overpaid persons remained unanswered, and about 17 percent of incoming mail could not be readily identified with overpayment accounts because personnel had not prepared case files on new accounts.

On September 16, 1975, we issued a letter report to the Administrator of VA on our review of VA's compliance with the Federal Claims Collection Act of 1966 (31 U.S.C. 951-953) and the regulations and procedures implementing that act. The report addressed, among other things, certain aspects of the Centralized Accounts Receivable System's operations. In responding to our recommendations, VA stated that several changes are being made to reduce the backlog at St. Paul. VA is planning to reorganize the system to better control the workload, staffing has been increased to a more realistic level, and a microfilm/microfiche system has been established to provide research sources for processing cases more expeditiously. Despite these efforts, we noted that as of March 5, 1976, St. Paul had a backlog of almost 39,000 unanswered letters.

COLLECTION LETTERS NEED REVISION

According to school officials, regional office collection personnel, and St. Paul VA officials, VA's letters to overpaid individuals requesting repayment do not sufficiently explain the cause of the overpayment. Such data as rates used to compute overpayments and inclusive periods of overpayments are not provided in these letters. As a result, the individuals and VA personnel reading these letters generally cannot adequately judge the reasonableness or validity of the overpayments. Over 26 percent of the letters received at St. Paul are requests for explanations of overpayments.

In addition, St. Paul VA officials have often had to rely on VA regional office personnel to properly re-create overpayment data because VA's initial collection letters, generated by the Hines data center, did not contain sufficient information. This had delayed responses to individual inquiries an additional 3 to 4 weeks.

The first collection letter to overpaid individuals--issued by the Hines data center--refers to their options of repaying in installments or requesting a waiver within 2 years. In our September 1975 report to the Administrator of VA, we recommended that VA's collection letters be revised to include the criteria under which a waiver of the overpayment could be granted. We believed that this might discourage routine requests for waivers, which are time consuming and expensive to review and process and which, if denied, delay or diminish the chance of collection.

VA concurred in our recommendation and has revised its collection letters to include the waiver criteria. This revision should result in fewer requests for waivers and improve VA's chances of recovering overpayments. However, on the basis of our discussions with private collection agency personnel, we believe additional revisions could further improve VA's collection efforts. Possible improvements include shortening the length of the first collection letter, restating it in definite terms.

In July 1974 the Administrator of VA appointed a task force to study, among other things, VA's policies, procedures, and controls governing the collection of overpayments. In March 1975 the task force issued an internal report on its study results. The task force, which recognized the shortcomings of VA collection letters, also recommended revising the letters to provide specific data on overpayments. The report pointed out that including comprehensive explanations of overpayments in these letters would significantly reduce correspondence concerning establishment of overpayments.

Also, the task force recommended shortening the intervals between letters. Its report indicated that 12 percent of overpaid veterans failed to respond to all three VA letters--58 percent did not respond to the first letter, 40 percent to the second letter, and 60 percent to the third letter. The task force recommended that the intervals for sending letters to veterans be reduced from 60 to 30 days.

The task force also studied the timeliness of collection letters in relation to repayment responses. Of 96 repayments received from 401 letters sent to 180 veterans, 85 repayments (89 percent) were in response to letters sent within 30 days after the establishment of the overpayments. Letters sent after more than 30 days received few repayment responses.

We discussed the timing of VA's collection letters with an official of a national association of professional collection agencies, which represents about 50 percent of all collection agencies nationwide. According to this official, his association favors sending collection letters at short intervals and recommends to its member agencies that the first letter be sent immediately upon receipt of the account and that later letters be sent at 7- to 10-day intervals. He believed VA's 60-day interval between letters to be much too long to insure effective collection. Although VA's collection activities cannot be directly compared with those of private agencies, we believe the national association official's comments have merit and should be recognized and considered by VA.

Taking into account this official's view and the task force's study, we believe that VA should determine the feasibility of further reducing the interval between its first and second collection letters to less than the recommended 30 days. This action, if deemed feasible, would in our opinion further increase repayment responses from overpaid individuals.

Letters notifying veterans of eligibility and benefits--referred to as award letters--do not also alert veterans that they have overpayments outstanding. Consequently, veterans are not notified that future benefit payments will be withheld until the overpayments are recovered.

COST OF VA'S COLLECTION EFFORTS UNKNOWN

The Federal Claims Collection Act of 1966 authorizes agencies attempting to collect debts of less than $20,000 owed the Government to terminate or suspend collection actions when costs of collection exceed the amount owed. VA has not analyzed its collection activities to identify its

costs of collection. Therefore, VA officials at St. Paul cannot adequately make the decisions authorized by the law. VA's task force report noted this deficiency and recommended that the VA Controller undertake a study to develop a system to capture and report all collection and other disposition costs for overpayments. As of November 1975, about 8 months after issuance of the task force report, VA had not yet implemented this recommendation.

COLLECTION ACTION ON SPECIAL OVERPAYMENTS SHOULD BE MORE TIMELY

Over the last several years, overpayments resulting from special payments have increased dramatically. However, collection of these overpayments has been delayed much longer than collection of regular overpayments because special payment transactions are held about 60 days before being converted to overpayments. The special payment is held 30 days in a suspense account at the Hines data center while awaiting receipt of the individual's regular payment transaction document, and 30 additional days at the St. Paul center while further time is allowed for receipt of the transaction document at Hines. Consequently, 60 days elapse before the first collection letter is issued for a special overpayment, after which the account is processed in the same manner as other overpayment accounts.

As VA and private collection agency officials said, the likelihood of collection decreases as time passes; thus, more timely collection action is imperative. VA's task force study also stressed that intervals between overpayments and collection actions are crucial to recovery and suggested that these intervals be shortened.

Another problem is that, according to VA officials, the St. Paul computer system cannot match and consolidate special overpayment accounts with regular overpayment accounts for the same persons. Consequently, a person with both special and regular overpayments will receive separate letters concerning each overpayment. In our opinion, receipt of two collection letters, neither of which refers to the other overpayment, may confuse the person and diminish his acceptance of responsibility to repay the overpayments.

LIMITED CROSS-CHECKING BETWEEN VA PROGRAMS TO COLLECT OVERPAYMENTS

The systems at Hines and St. Paul do not automatically cross-check between benefit programs, such as the educational assistance and compensation and pension programs, for overpayments that could be offset against other program benefits.

Regional offices are supposed to manually check for such situations when reviewing claim folders. However, as pointed out in VA's March 1975 task force study report, this is seldom done.

The task force found that in only 14 percent of educational overpayment accounts for veterans receiving compensation or pension benefits had VA made arrangements for repaying the overpayment. The task force estimated that over $6.4 million of the $134.7 million in overpayments outstanding on December 31, 1974, could have been recovered if these accounts had been screened and offset properly. The task force recommended that regional offices and the St. Paul system be given a list of veterans who are receiving compensation and pension benefits so that offsets can be initiated. It also recommended that the compensation and pension system at the Hines data center be modified so that educational assistance overpayment cases can be automatically matched to compensation and pension accounts and messages can be released to regional offices on these cases.

In our September 1975 report to VA on our review of the Centralized Accounts Receivable System's operations, we pointed out VA's obligation, under 4 C.F.R. 102-3, to collect overpayments by offset in every feasible instance. We also noted the need to insure that VA has explored the possibility of collection by offset against other benefits before referring an overpayment case to GAO as uncollectible. In responding to our report, VA said it has "developed a method of using master record writeouts [from the Hines data center] to identify debts that could be collected by offset procedures."

This procedure represents an improvement and was implemented as a modified response to the task force's recommendation; however, the offset process, using the master record writeouts, is still a manual one used at St. Paul only when normal prescribed collection procedures have been exhausted and the case is about to be referred to GAO or administratively terminated. VA has stated that, because the compensation and pension system at Hines is entirely separate from the education system, the problems involved in adopting a computerized, automatic matching of overpayment cases with other benefits would far outweigh any advantages derived. In our opinion, there is a great potential for recoveries by using the matching process, as demonstrated by VA's task force, and no formal study has been made indicating the contrary. Therefore, we believe VA should reconsider this matter and determine the feasibility of the automatic matching process.

CONCLUSIONS

Collection of existing overpayments has increasingly lagged behind the annual increases in overpayments; consequently, the outstanding balance of uncollected overpayments has increased substantially. VA has centralized the collection of overpayments at St. Paul, but the centralized system has not been able to keep pace with increasing numbers of overpayments. Major problems are that

--the computer system lacks the ability to perform all the necessary collection functions and

--personnel shortages cause backlogs in administrative areas, such as responding to veteran inquiries and establishing new case files.

These problems could be lessened if VA concentrated on eliminating or minimizing the causes of overpayments. If the causes are not effectively dealt with, the overpayments will continue to increase, creating a need for additional staff and equipment to handle collection efforts.

Other collection problems also need attention. VA's collection letters do not sufficiently explain to overpaid individuals and VA officials the nature of the overpayments. Also, award letters to veterans do not show overpayments outstanding or alert veterans that subsequent benefits will be withheld to recover overpayments outstanding.

VA does not know the cost of recovering overpayments and, consequently, does not know whether collection costs for a given case are exceeding recoveries. By law, Federal agencies are authorized to terminate collection efforts on accounts where collection costs will exceed recovered amounts.

Individuals are receiving compensation and pension benefits while educational overpayments remain uncollected. VA does not have an automatic system for cross-checking between programs to identify persons with educational overpayments who are receiving benefits under the compensation or pension programs.

RECOMMENDATIONS TO THE ADMINISTRATOR OF VETERANS AFFAIRS

Even if the various causes of overpayments remain, much can be done to improve the existing collection system. Accordingly, we recommend that the Administrator emphasize:

--Improving the efficiency of the Centralized Accounts Receivable System's operations in processing cash collection actions and in responding to inquiries from persons who have been overpaid.

--Revising collection letters to provide full explanations of the overpayments, including the periods and rates involved, and to further reduce the interval between the first and second collection letters.

--Revising award letters to refer to overpayments outstanding so that the individuals receiving them will be aware that subsequent benefits will be offset to recover outstanding overpayments.

--Developing statistics that will provide comprehensive data on collection costs that can be compared to potential recoveries so that collection costs will not exceed recoveries.

--Improving the timeliness of collection actions on special overpayments by decreasing the period special payments are held in suspense awaiting award actions.

--Determining the feasibility of establishing an automatic cross-checking system for matching persons receiving compensation or pension benefits with their educational overpayment accounts so that collections can be accomplished by offset.

CHAPTER 7

AGENCY COMMENTS AND OUR EVALUATION

On March 15, 1976, we met with VA central office officials, including the Chief Benefits Director, the Chief Data Management Director, the Controller, the Assistant Administrator for Planning and Evaluation, and other officials of the Departments of Veterans Benefits and Data Management, Internal Audit Service, and the Office of the General Counsel, to obtain their oral comments on this report. These officials did not disagree with our findings about the underlying causes of the growing numbers and amounts of educational assistance overpayments.

The Chief Benefits Director, acting as spokesman for VA, generally agreed with most of our conclusions and recommendations about possible solutions open to VA for minimizing future overpayments. Regarding our specific recommendations to the Administrator of Veterans Affairs, the Chief Benefits Director stated that:

--VA has made a considerable effort in the past year to notify veterans of their obligation to promptly report training status changes and will continue this effort.

--VA is providing increased guidance and assistance to schools, particularly through its veteran representatives on campus, and in the past year has sharply increased the number of compliance surveys at junior and community colleges and other institutions of higher learning.

--State approving agencies are being provided additional guidance on the overpayments problem and additional funding in fiscal years 1976 and 1977 to provide increased surveillance of schools nationwide. Also, VA will begin providing approving agencies with data showing which schools have a high incidence of overpayments.

--VA has increased its efforts to identify and assess overpayments against schools that are negligent in reporting training status changes to VA; however, to be more effective in this area, VA needs to better define "negligent."

--VA agrees that a study would have to be made to determine the appropriateness of the current reporting fees paid schools by VA pursuant to 38 U.S.C. 1784, but VA has neither the funds nor staff resources to make such a study. Also, if such a study were made, schools

would probably not be willing to provide VA with needed data on their costs of veteran-related reporting and recordkeeping.

--VA plans to implement, on a pilot basis, our prior recommendation to process training status changes through its regional offices without manually verifying data on the change documents. If this proves successful, VA will implement our recommendation nationwide.

--VA has provided its regional offices additional guidance on the circumstances justifying use of special payments and, as a result, the number of special payments made in the first half of this fiscal year has dropped compared with the first half of fiscal year 1975. However, VA believes more can be done to further limit the use of special payments and will explore various means to do so in light of the high incidence of overpayments resulting from special payments.

--VA plans to instruct its regional offices to increase their use of teletype stop-payment notices to the Hines data center to prevent educational assistance overpayments.

--VA plans to make greater use of its on-campus veteran representatives and work-study veterans in helping schools solve their status change reporting problems.

--VA agrees that, in the overpayment collections area, improvements could be made in its collection letters and in the timing of its collection actions; however, because of continuing workload backlogs and unavailability of computer time at its Hines and St. Paul data centers, our suggested improvements cannot be implemented now. Also, VA believes the automatic cross-checking of education overpayments against benefits being paid under the compensation and pension system would require system redesign and reprograming at the Hines data center.

The written comments of the Administrator of Veterans Affairs in response to this report have been included as appendix I.

CHAPTER 8

SCOPE OF REVIEW

To identify and assess the causes of educational assistance overpayments, we performed work at VA's

--central office, Washington, D.C.;

--data processing center, Hines, Illinois;

--Centralized Accounts Receivable System, St. Paul, Minnesota; and

--regional office, Los Angeles, California.

We visited seven schools in VA's Los Angeles region. For six of the seven schools--one State-supported university, one private university, and four junior colleges--we selected a sample of 135 overpayment cases for detailed analyses of the causes of overpayments. The seventh school--a junior college--had the sixth highest amount of overpayments outstanding, as of December 31, 1974, in the Los Angeles region. We also visited the regional office of the California State Approving Agency in Los Angeles.

At these locations, we reviewed the legislation, regulations, policies, procedures, and practices pertaining to VA's educational assistance payment system; reporting and processing of training status changes; and the collection of educational assistance overpayments. We also discussed these areas with VA, State, and school officials.

APPENDIX I

VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420

March 18, 1976

Mr. Gregory J. Ahart
Director
Manpower & Welfare Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Ahart:

We have reviewed the draft of your proposed report to the Congress on your study of the Educational Assistance overpayments and have discussed the report orally with members of your staff, but we also want these written comments to be a part of your final report.

We agree that the causes for overpayments can be primarily related to the three causes indicated in the draft report. However, the percentages shown should not necessarily be considered as national figures since the statistical base for development of these was so small.

We are sure you would agree that the best way to reduce the outstanding balance of overpayments is not only to have an effective collection program, but also to reduce the number being created. Our efforts are being channeled in both directions. However, it should be noted that as we tighten controls and put greater emphasis on schools to report changes, the initial impact will be and has been an increase in overpayments. We believe the report should reflect this.

Some of the recommendations outlined in your proposed report to alleviate the overpayment problem represent areas that our Agency is developing or has already developed and implemented for the specific purpose of reducing overpayments and insuring that the education program is being administered in accordance with the intent of the law. Again, we feel that your report to the Congress should reflect this as opposed to perhaps leaving the impression that the recommendations were generated by your study. These recommendations are referred to in the attached narrative comment on each recommendation.

Mr. Gregory J. Ahart
U. S. General Accounting Office

Generally, we feel that your comments and recommendations are based on sound assumptions and as indicated in our recent discussions we will implement many of them as expediently as possible. We appreciate your desire to be helpful to us as we pursue the solving of a most difficult problem.

Sincerely,

Odell W. Vaughn

Deputy Administrator - in the absence of

RICHARD L. ROUDEBUSH
Administrator

Attachment

RECOMMENDATION: VA should notify veterans of their obligation to report program changes promptly.

We have already accomplished this by means of various notifications sent to the veteran. Every original entrance or re-entrance award letter sent to students attending Institute of Higher Learning, Non-College Degree, Apprenticeship or On-the-Job Training programs contains a notice that the VA must be informed of any change in training status. In addition, every education payment check sent out during the months of November 1975 and March 1976 contained a notice that any change in training status must be reported immediately to the VA. We are also in constant liaison with educational institutions in this regard and also are making extensive use of our Vet Rep on Campus Program.

RECOMMENDATION: VA should increase guidance and assistance to schools and step up compliance surveys at these schools.

This effort is in progress. Central Office review of regional office operations consistently emphasizes the need for improved liaison and communication with schools. VA regional office personnel are involved in an increasing amount of conferences, workshops, individual meetings with local school officials where VA policy is translated to individual situations. An excellent example of our efforts in this area is the changes to VA regulations which established a requirement that all schools set standards of progress which must be approved by the appropriate State approving agency. These

changes and corresponding circulars to VA regional offices spelled out specifically what we considered acceptable. These changes generated a number of meetings and conferences throughout the nation and the Administrator, and the Chief Benefits Director presented clarifying comments on the issue in a meeting with members of the national education community on January 7, 1976.

As pointed out in the GAO report we issued a change to our policy concerning the scheduling of compliance surveys in December 1975. A pertinent portion of the reason for the change states, "This change is due to the need for tighter controls in the administration of the education program. The new schedule is for immediate implementation. Compliance surveys for the last 6 months of this fiscal year (1976) should be scheduled in accordance with these guidelines." The change involved surveying annually all institutions of higher learning with an enrollment of 300 or more students under chapters 34 and/or 35, and to similarly survey 25 percent of all institutions with an enrollment of less than 300 students. In addition, all non-college degree schools with eligible persons enrolled will be surveyed each fiscal year.

These changes drastically and obviously increase our workload and costs for each of our Regional Offices.

In some cases, where schools have severe deficiencies, total audits of records have occurred which involve many weeks at one school. Thus we have increased both the number of

compliance surveys and the depth of those surveys, which again requires expending a considerable amount of resources. More in-depth quality surveys will result in reporting deficiencies being called to schools' attention. We hope to see the fruits of these efforts in the coming year as a result of new training guides and ever increasing emphasis on the problem.

RECOMMENDATION: It is recommended that VA provide State approving agencies with more guidance on the overpayment problem and that we supply them with data to show which schools have overpayments.

Recently the VA had a series of four regional workshops of VA Central Office and Regional Office personnel together with State approving agency personnel. A very significant item discussed was school reporting of training status changes in conjunction with establishing school standards of progress and the State approval agency responsibility in connection therewith.

We have requested additional money to increase the budget for State approving agencies. This occurs because the VA contract with State approving agencies which will be used for contracts beginning in October 1976 has a provision providing for a minimum of one State visit a year to each institution furnishing approved courses. This change deletes from the previous contract the provision that regularly scheduled visits to institutions of higher learning on an annual basis are not necessarily required.

The suggestion to supply data to State approving agencies to show which schools have overpayment problems will

be adopted. However, because the computer program which previously supplied this listing can no longer be used, a completely new program must be created. The listing will be prepared as soon as possible and not later than six months from now, for delivery to our Regional Offices for forwarding to the respective State approving agencies. An evaluation will be made of the use of the first listing and if it is found to be useful it will thereafter be prepared and used on a semiannual basis.

RECOMMENDATION: The VA should more frequently assess schools with liability for overpayments caused by their negligent reporting of student's changes in training status.

As pointed out in our circular concerning school liability for overpayments, discrepancies in school records which can result in overpayments will most likely be identified during compliance surveys.

In December 1975 we published a change to our compliance survey schedule which required a drastic increase in the amount of schools to be surveyed.

We are at the beginning of the period when we can now start to see the results in the increased assessments of school liability.

We feel we have partial success with our previous instructions but it is still too early to fully evaluate our results. At this point we have the proper machinery to more

frequently assess school liability and our Regional Offices are again being instructed to give continuing attention to this matter.

RECOMMENDATION: It was recommended that we reevaluate reporting fees paid to schools to insure appropriate reimbursement is made for reporting required for schools.

Section 1784, Title 38, states that the Administrator may pay a reporting fee of three dollars or four dollars in certain cases, which will be in lieu of any other compensation or reimbursement for reports or certification required to be submitted by law or regulation. The VA is, in many cases, providing work-study students to assist in this activity and we do not feel that we are requesting additional data from schools over and above that contemplated when the authorizing legislation was enacted. Moreover, veterans cost of instruction personnel as well as Vet Reps on Campus are assisting schools. Finally, we do not have a data base from which we could determine whether schools do or do not deserve an increase in these payments solely because of the inflationary process. They could possibly have a case in this regard. However, if Congress should determine that it should consider this problem we would be pleased to comment on any specific legislative proposal.

In this connection, you are aware that payments for these purposes come from the General Operating Expenses account and any increase would require a supplemental appropriation.

RECOMMENDATION: It was recommended that VA increase the involvement of VA personnel on campuses, such as veterans representatives and work-study veterans, to help schools solve their reporting problems.

We already do some of this. However, there is merit to these recommendations. To obtain a proper perspective, we feel that consideration should be given to the following points:

-- Acceptance of VA's involvement by schools - the VA's increasingly frequent liaison meetings with school officials across the Nation since the beginning of the on-campus program have not only been beneficial in establishing rapport, they have resulted in VA initiated actions to provide further assistance. An example is the expanded use of on-campus veterans representatives (Vet Reps) to provide liaison services to schools. From July 1 through January of the current fiscal year, Vet Reps conducted over 1,400 liaison visits with school officials. As Vet Reps improve their value and further acceptance of this program is gained, closer cooperation with schools along the lines recommended by the GAO recommendations will become more evident.

-- Availability of full-time VA employees (Vet Reps) on campuses - In addition to the expanded liaison duties given Vet Reps as noted above, they are being utilized to conduct compliance surveys (at schools other than where the Vet Rep is assigned). In addition, they are conducting guardianship field examinations and other supplemental duties which provide maximum utilization of their positions. Although the Vet Rep will advise and otherwise cooperate with the schools in the mission of expediting the enrollment data, and hopefully more can be done in the future, it would be improper for them to assume the certification tasks that belong to school officials. We feel that GAO would agree.

-- Work-Study Personnel - The increases in work-study hours being utilized by the VA reflect the development of veteran work-study students in the area of assisting school officials with providing enrollment data to the VA. Although an example of misuse was cited at one station, the national impact of work-study personnel in these areas has been satisfactory and perhaps could be increased as experience is gained.

RECOMMENDATION: VA should implement GAO's prior recommendation to automate the processing of veteran program changes and thereby reduce delays which result in overpayments.

This involves bypassing the use of case folders and VA has heretofore resisted the idea.

GAO points out that 8 percent of the sample documents processed without the claims folder rejected at the Data Processing Center due to incorrect name or claim number and 2 percent rejected due to erroneous terminations of training. Assuming these figures to be correct on a nationwide basis, 10 percent of all status changes processed would need to be reprocessed. This significantly increases administrative processing time. In addition, a number of documents may have been erroneously processed but not rejected at the Data Processing Center. Thus the advantages of the recommendation need to be weighed against the disadvantages.

We agree to test this at the field station level. A final decision will be made after the completion of the test and after a thorough analysis of the results, and GAO will be appropriately advised.

With respect to possible projected savings or cost avoidance, as set forth in the GAO report, we cannot agree. We think these may be well overstated when all factors are considered, and suggest that final estimates await our test and analysis.

RECOMMENDATION: It was recommended that VA should reduce reliance on, and use of, special benefit payments which by-pass standard computer screening controls intended to prevent overpayments.

The unanticipated increase in the number of veterans in training during the past 18 months required that we take a positive action to process payments timely. Therefore, instructions were issued initially that special payments be made whenever an entrance or re-entrance award was authorized more than 30 days after the award's effective date. Subsequently, this instruction was amended to permit Station Directors to use discretion in determining the method of payment and process a regular award if the payment can be made expeditiously. Our records indicate that we made 816,726 special payments in FY 1975, but have reduced to 317,968 for the first six months of FY 1976. Overpayments were correspondingly reduced and we think will continue on a downward trend. We will continue to monitor this phase of our operation, but until the pressure of getting veterans paid timely is reduced, we do not feel that we can discontinue this method of payment.

RECOMMENDATION: It was recommended that VA increase the use of teletype transmissions of stop payment notices to prevent overpayments.

We are drafting instructions which will implement expedited processing of change of status notices. These instructions will include the use of teletype stop payment actions in those instances when routine processing would not prevent the issuance of the next recurring payment. Additionally our

instructions will provide for accepting notices of change in training status via the telephone to further decrease overpayments.

GAO notes that during a given period four times as many teletype stop payments were processed in the C&P system as opposed to the education system. It should also be noted that there are 5 million active C&P records as compared to 1.4 million or less education records from which payments are made on the first of each month.

RECOMMENDATION: It was recommended that we revise our computerized overpayment letters to make them more effective.

The desirability of showing the detailed basis for computation of the overpayment in the initial letter, as proposed, has been considered on several occasions. While inquiries asking how the overpayment was computed may be intended on occasion to delay the repayment process rather than to gain specific knowledge of the amount and circumstances of the overpayment, some cases do present a rather lengthy or complex computation. In these cases, it is advisable to perform a specific case review and to write a personal letter rather than to rely on a computer generated letter. While we now do this on a limited basis, we will review all of our procedures to seek better ways to accomplish our objectives. However, as to the first demand letter we have a particular problem. The priorities given other computer programming assignments create problems which may

hamper our efforts for the immediate future. Nevertheless, we will do what we can pending the final arrival of TARGET which arrival will solve much of our problem.

RECOMMENDATION: It was recommended that faster action be taken to collect overpayments.

Overpayment balances on hand did increase dramatically from the end of FY 1970 to December 31, 1975. During this period of time, $1.4 billion in overpayments was established, of which 78% were disposed of by collections or other proper disposition. Of the $298 million balance on hand as of December 31, 1975, $33.5 million are being liquidated by offset from other benefits, or as a result of prepayment plans which have been arranged. We have vigorous plans as to the remainder as heretofore indicated. Thus notwithstanding the balance on hand and the events that caused it, we believe that our collection efforts and results concerning educational overpayments have been very significant.

As stated in the report, we have centralized all new (as of 1/1/75) accounts receivable activity in St. Paul, Minnesota (CARS) to strengthen our collection activity. It is unfortunate that the impact of increased overpayments and the untrained people in the newly established CARS, came at the same time. However, we have continued to improve

this operation and more improvements are contemplated. For example, cycle processing is scheduled for April which will permit overpayments to be reported to CARS from Hines on a cycle basis as opposed to once a month as is now the case. Extensive use is now made of microfiche and microfilm to facilitate handling of records. Employees are now becoming more proficient and a continuing review is made of collection procedures to insure they are of the best quality to meet the intended purpose. It is our opinion that the continuous improvement in the operation of CARS will soon be reflected in an increase in the collection of overpayments.

RECOMMENDATION: It was recommended that VA establish an automatic cross checking system for matching overpayment against all veteran benefits ot effectuate possible offsets.

We already have a cross-checking procedure in CARS after the second demand letter to determine if the veteran is receiving benefits from some other program from which collection can be made. This check is made prior to a debt being referred to GAO as uncollectable. For those overpayments remaining at the field stations, we have a somewhat similar system. With respect to this subject there are relatively few cases where veterans draw compensation and also have education overpayments. However, in every case where this occurs, offset is accomplished and no monies are lost.

Upon full implementation of the TARGET system, there will be a combined data base so that the problem of offsets of one system against the other will not be a problem

and will be automatic as suggested by GAO.

Presently the two systems are not designed to interrogate each other. We do not believe that it is advisable to make these significant program modifications at this time pending full implementation of TARGET. The problems at Hines are more pressing and as important as collection of overpayments are. We cannot further jeopardize our basic payment procedures at Hines by implementation of new programs or procedures. A feasibility study would serve little purpose as we already know that our Hines capability has reached its extreme outer limits.

APPENDIX II

PRINCIPAL VA OFFICIALS

RESPONSIBLE FOR ADMINISTERING

ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
ADMINISTRATOR OF VETERANS AFFAIRS:		
R. L. Roudebush	Oct. 1974	Present
R. L. Roudebush (acting)	Sept. 1974	Oct. 1974
D. E. Johnson	June 1969	Sept. 1974
W. T. Driver	Jan. 1965	May 1969
DEPUTY ADMINISTRATOR OF VETERANS AFFAIRS:		
O. W. Vaughn	Nov. 1974	Present
Vacant	Oct. 1974	Nov. 1974
R. L. Roudebush	Jan. 1974	Oct. 1974
F. B. Rhodes	May 1969	Jan. 1974
A. W. Stratton	Nov. 1967	May 1969
Vacant	Sept. 1967	Nov. 1967
C. F. Brickfield	Feb. 1965	Sept. 1967
CHIEF BENEFITS DIRECTOR:		
R. H. Wilson	Jan. 1975	Present
J. J. Mulone (acting)	Nov. 1974	Jan. 1975
O. W. Vaughn	Mar. 1973	Nov. 1974
O. B. Owen	Feb. 1970	Mar. 1973
R. H. Wilson	July 1969	Feb. 1970
A. W. Farmer	Nov. 1967	July 1969
A. W. Stratton	Feb. 1965	Nov. 1967
CHIEF DATA MANAGEMENT DIRECTOR:		
W. R. Martin	Oct. 1975	Present
W. R. Martin (acting)	Aug. 1975	Oct. 1975
R. T. Brown	Aug. 1974	July 1975
P. J. Budd	July 1963	July 1974

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